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C O N F I D E N T I A L JERUSALEM 000386

SIPDIS

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E.O. 12958: DECL: 03/05/2014

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SUBJECT: WATANIYA MOBILE PHONE LAUNCH DELAYED INDEFINITELY

REF: 08 JERUSALEM 1795

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

11. (C) Summary: Wataniya Palestine CEO Allan Richardson told Econoffs that the failure of the GOI to allocate sufficient frequency for Wataniya, as required by a July 2008 agreement, has now indefinitely postponed the launch of the service. In addition, as of March 4, the majority of equipment imported by Wataniya for the network has not yet received GOI approval to be released to the West Bank, according to Richardson. He confirmed that Wataniya has paid the Palestinian Authority (PA) USD 140 million in license fees. End summary.

Wataniya's launch postponed  
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12. (C) Wataniya CEO Allan Richardson told Econoffs on February 26 that the GOI has not yet allocated to the PA sufficient frequency to permit Wataniya's launch, as required by a July 2008 agreement between the PA and the GOI. According to Richardson, the lack of frequency has now delayed the network's launch (most recently scheduled for April 2009) indefinitely. Richardson said that the GOI was to allocate to the PA by January 1, 2009 - without conditions - an additional 1.2 MHz at the 1800 bandwidth for Wataniya's use. Without this allocation, Wataniya's launch is not possible, according to Richardson. (Note: The July 2008 agreement was facilitated by Quartet Representative Blair. End note.)

13. (C) Richardson said that the agreement further provided for three mechanisms by which Wataniya could get additional frequency necessary for full operation. In the agreement, the PA agreed to negotiate a frequency reallocation from the 900 MHz bandwidth to 1800 MHz bandwidth with the sole current Palestinian mobile telephone provider, Jawwal. If successful, the PA would transfer released frequency from Jawwal to Wataniya. Richardson said that Jawwal has thus far been unwilling to accept a PA reallocation offer. (Note: Jawwal CEO Abdel Malek Jaber told EconChief that the frequency switch would cost Jawwal millions of dollars, and that he never agreed to including it in the July 2008 document. End note.)

14. (C) The second option for Wataniya is to get spectrum that Israeli mobile provider Orange Telecom currently uses in the West Bank. Richardson said that Orange has thus far been unwilling to agree to grant or share frequency with Wataniya. The last option, to be exercised if the other two options do not materialize, is for the GOI to allocate additional frequency spectrum to the PA for Wataniya's use. Richardson said that it is clear the parties have reached the point where the GOI should allocate additional spectrum. He noted that the Interim Agreement obliges Israel to release

necessary frequencies to the PA.

Wataniya Can't Afford to Keep Burning Cash

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15. (C) Richardson said that the GOI's failure to allocate frequency has put the viability of Wataniya Palestine in question. He said that Wataniya Palestine has had 110 telecom and software technicians on the payroll in Ramallah since 2007, despite the company's lack of income. Richardson claimed that each delay of the company's launch increases the chance Wataniya's board of directors will withdraw their company from the Palestinian market.

16. (C) Richardson confirmed that Wataniya has paid the PA USD 140 million of its USD 360 million license fee. He said that Wataniya will not pay the PA any more until it has successfully launched and been granted access to the Gaza market. To further complicate matters, while Wataniya has received some imports, the majority of its equipment is still awaiting approval by the GOI before it can be released to the West Bank, according to Richardson on March 4.

17. (C) Comment: The Wataniya investment in the Palestinian market is large and symbolic. The continued failure of Wataniya to begin operations undermines private sector confidence in the West Bank business environment. It also deprives the PA of a much needed revenue stream. Post recommends that this issue be added to our agenda with the GOI. End comment.

WALLES